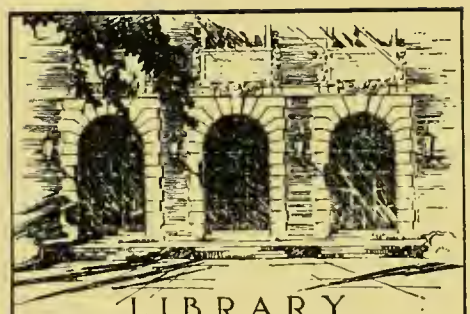

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INSTITUTE OF LABOR AND INDUSTRIAL RELATIONS

TRENDS AND PROBLEMS IN UNEMPLOYMENT INSURANCE

UNIVERSITY OF ILLINOIS
BULLETIN

EDITORIAL NOTE

The Institute of Labor and Industrial Relations was established in 1946 to "inquire faithfully, honestly, and impartially into labor-management problems of all types, and secure the facts which will lay the foundation for future progress in the whole field of labor relations."

The Institute seeks to serve all the people of Illinois by promoting general understanding of our social and economic problems, as well as by providing specific services to groups directly concerned with labor and industrial relations.

The *Bulletin* series is designed to implement these aims by periodically presenting information and ideas on subjects of interest to persons active in the field of labor and industrial relations. While no effort is made to treat the topics exhaustively, an attempt is made to answer the main questions raised about the subjects under discussion. The presentation is non-technical for general and popular use.

Additional copies of this *Bulletin* and others listed on the last page are available for distribution.

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TRENDS AND PROBLEMS IN UNEMPLOYMENT INSURANCE

By Irving N. King

Unemployment insurance — popularly known as unemployment compensation — is a recent development in the United States. Within the last 15 years, the *principle* of unemployment insurance has come to be generally accepted. The *program* of unemployment insurance, however, is not now and never has been entirely satisfactory to any group in this country. Many different opinions exist as to how our present system of unemployment insurance should be changed.

THE SOCIAL SECURITY ACT OF 1935

The original Social Security Act[1] was passed by Congress in 1935. A part of this law provided for a 3% tax on the payrolls of all employers — with certain exceptions. The law provided, however, that if an employer's home state enacted an "approved" unemployment insurance law, up to 90% of the amount of such taxes would be retained by the state for the payment of benefits. To be approved, a state law must comply with minimum standards outlined in the federal act. Within two years all of the states* had passed such legislation.

From the first, these state laws varied widely. Within the limits of broad minimum standards set forth in the federal act, each state may determine what industries will be covered under its law, how large a tax shall be collected from employers, the amount of benefits to be paid, and the way in which the law will be administered.

Nor have the laws remained as they were first enacted. Since 1937 the Congress and all the state legislatures have made many changes in their respective laws. While the basic system of unemployment insurance has remained the same, some of the changes have liberalized and extended benefits and coverage. Other changes have had the opposite effect.

Still further changes have been proposed by industry, government officials, organized labor, and other interested groups. These proposals range from complete federalization of unemployment insurance, through only slight modification of our present system, to complete state control of the system. The proposals vary also as to coverage, amount and duration of benefits, reasons for depriving workers of benefits, financing, and administration.

COVERAGE

The original Social Security Act provided for the exemption of various groups of employers from the unemployment tax. This had the effect of

* The word "state" as used in this bulletin, includes also the District of Columbia, Alaska, and Hawaii.

also excluding their employees from unemployment insurance benefits. For example, those employers who had fewer than eight people working for them were not required to pay the tax. The reason given for this exemption was that the amount of the tax would be small and its collection a nuisance. Other exemptions were made because it was believed impossible, for a time after the law first went into effect, to administer a program that covered all types of employment. Still other exemptions, such as state employees, were made because it was thought the Constitution prohibited the federal government from taxing state agencies. Occupations excluded from the insurance program by the federal act were:

1. Agricultural labor
2. Domestic service in a private home
3. Service performed as an officer or member of the crew of a vessel[2]
4. Service performed by an individual employed by his son, daughter, or spouse, and service performed by a person under 21 in the employ of his parents
5. Work for federal, state, and local governments
6. Service performed for non-profit, religious, educational, and charitable organizations
7. Self-employed persons

Federal Exemption Changes

Since the passage of the original Social Security Act, Congress has amended the act both to narrow the coverage and to widen it.

Railroad employers were among the groups that were taxed under the original act. However, in 1938 Congress enacted a separate law dealing with the payment of unemployment compensation to railroad employees. This was amended further in 1946 to provide non-occupational disability benefits for railroad employees.[3]

In 1939 a series of amendments to the original act were passed. A part of the act, Title IX, was designated as the Federal Unemployment Tax Act. The substance of the law remained the same, however — levying on employers a 3% tax on the first $3,000 paid to each employee.

In the same amendments, agricultural labor was re-defined to exclude from coverage those persons engaged in the processing and preparation of agricultural products as well as farm laborers. Coverage was reduced further by exempting domestic service performed in college fraternities and sororities.

The most important extension of coverage by Congress came in 1946, when the maritime industry was included under the Federal Unemploy-

ment Tax Act. Maritime workers were originally excluded because it was thought that the Constitution prevented the states from taxing this industry. However, two decisions by the Supreme Court in 1943 were interpreted to mean that states may tax this industry.[4]

Most of the states acted immediately after the 1946 amendment to extend the coverage to maritime workers. In twelve states the coverage was automatically extended because of provisions in their laws that state coverage would follow any extension of federal coverage. Forty-six states now provide some kind of coverage directly or indirectly for maritime workers, and the states without this coverage have no water traffic of any importance.[5] Illinois covers maritime workers employed on American vessels who are "supervised, managed, directed and controlled from an operating office" in Illinois.[6]

The States and Specific Exemptions

Specific exemptions under the state laws follow closely those in the federal law. But there are some differences.

The District of Columbia has the only law covering agricultural labor. But this has very little meaning since there is little agriculture there. On the other hand, 26 states exclude from coverage employees of agricultural or horticultural organizations exempt from federal income tax. Six states have definitions of agricultural labor which cover more persons than the definition in the federal law. California's law also covers many agricultural workers not covered by the federal law.

The New York law is the only one which covers domestic service in private homes; the coverage is limited to households which employ four or more servants for 15 days in any year. Twelve states cover domestic service in college clubs, fraternities, and sororities. Wisconsin covers family employment but only New York covers service by a child under 21 for a parent. Hawaii partially covers workers in non-profit organizations.

A few of the states cover their own government workers. Some state employees are covered by the Wisconsin law. New York covers classified state employees with at least one year of service. New York municipal corporations or other government subdivisions may elect to pay their own benefits instead of contributing to the state fund. Since October 1, 1949, Texas has covered employees of local and state governments. Arizona, Kentucky, Maryland, Nevada, and Tennessee permit election of coverage for their state and local government employees.[7]

A majority of the state laws, including that of Illinois, have provisions to automatically extend coverage to additional occupations if and when such occupations are covered by amendments to the Federal Act.[8]

Table I

MINIMUM SIZE-OF-FIRM PROVISIONS IN THE STATE LAWS

(September 1, 1949)

Specified time period for employment of minimum number of workers	Total number of states	Number of states with specified minimum number of workers				
		1	3	4	6	8
Total	51 *	17	2	8	2	22
Any time	13	12	1			
10 days	1	1				
15 days	1			1		
6 weeks	1			1		
13 weeks	1			1		
15 weeks	1					1
18 weeks	1				1	
20 weeks	31	4	1	4	1	21
39 weeks (3 quarters of a year)	1			1		

* Includes Alaska, Hawaii, and the District of Columbia.

Small Employer Exemption

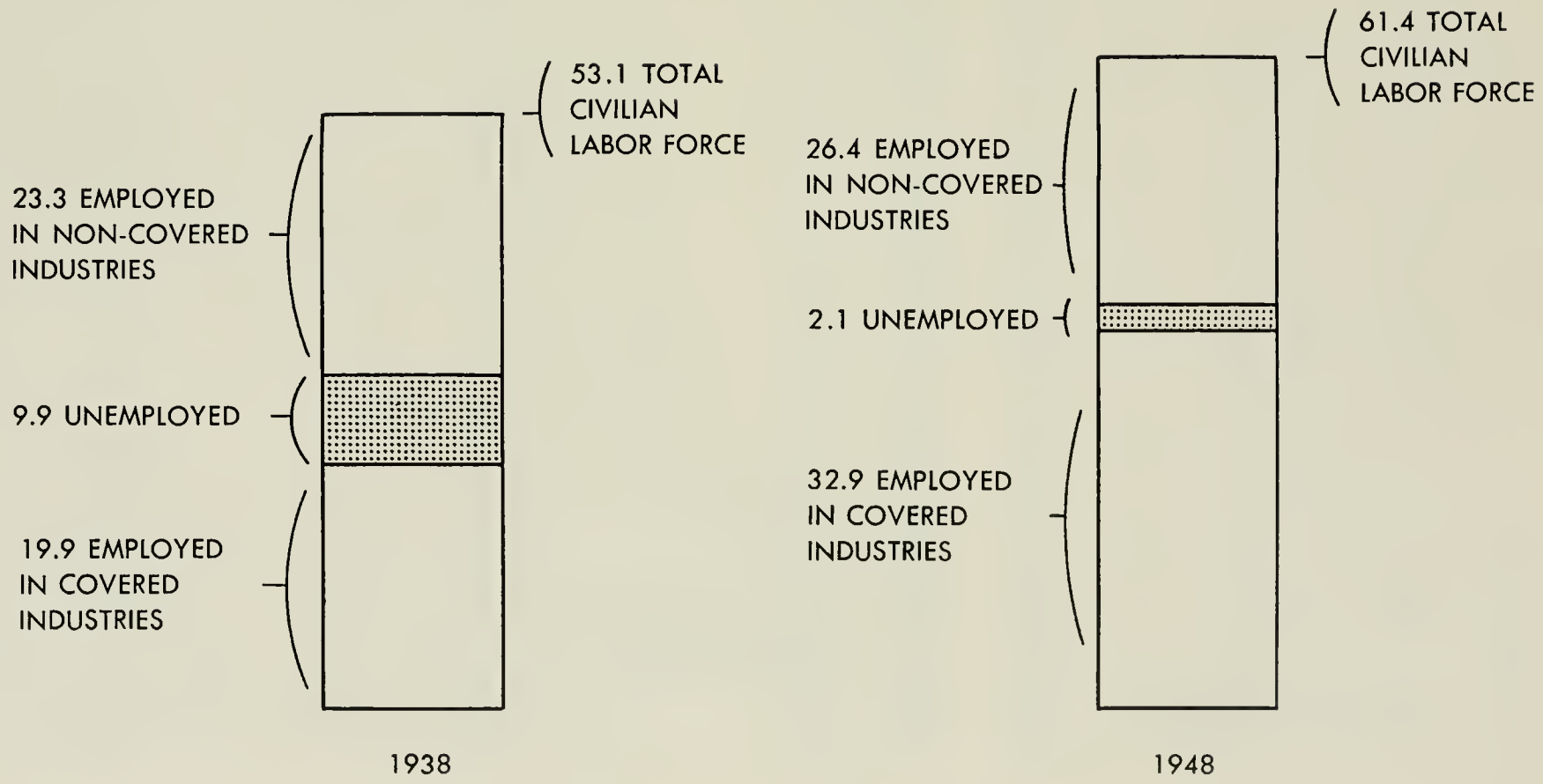
Along with the specific exemptions made in the original federal law is the exclusion from federal tax liability of all firms with fewer than eight employees. The reason given for the exemption at that time was that it would be administratively difficult to cover these small firms. Although Congress has not amended the federal law to extend the coverage to smaller firms, more than half the states now include them entirely or in part.

Originally, 30 states, including Illinois, exempted employers with less than eight workers, and only 11 states covered employers of one or more.[9] As the states gained experience in administering unemployment insurance, smaller firms were brought in under the program. By September 1, 1949, the situation was much changed, as shown in Table I.[10] In Illinois the coverage is limited to those firms employing six or more workers in each of 20 weeks. Most of the states, including Illinois, provide that the minimum number of workers shall be the same as specified in the federal law if that act is amended to cover small firms.

TABLE II

UNEMPLOYMENT INSURANCE COVERAGE OF TOTAL CIVILIAN LABOR FORCE

(Figures in millions)



Trend of Coverage

In 1947 the Senate Committee on Finance appointed an Advisory Council on Social Security. Members of the Council included government officials, business and industrial executives, trade union leaders, and educators.[11] In its December, 1948, report, the Council stated, ". . . the number of individuals in employment covered by the state unemployment insurance laws has increased markedly in the past ten years."[12] But during this same period the total civilian labor force has increased while unemployment has decreased, as shown in Table II on the preceding page.[13]

After 10 years, 53.5% of the total civilian labor force and 55.0% of those employed were covered by the system.[14] Even with this percentage increase in coverage by the states, only *seven out of ten* workers employed by others were covered by unemployment insurance in 1948.[15]

Table III

GROUPS EXCLUDED FROM UNEMPLOYMENT INSURANCE COVERAGE[16]

PERSONS IN MILLIONS

Workers in small firms	3.4
Employees of non-profit organizations	.9
Federal employees	1.7
Members of armed forces	1.3
Agricultural workers	1.7
Domestic workers in private homes	1.7
Employees of state and local governments	3.5
Total	14.2

Should unemployment insurance be extended to more workers? Some say "yes", particularly representatives of organized labor.[17] The Advisory Council on Social Security has stated: "The Council's goal of coverage in unemployment insurance is the protection of all persons who work for others and have a recent record of depending on wages for a significant part of their support." Yet, "this goal must be obtained gradually."[18]

Some groups argue against increased coverage. Those firms and employers now exempt from the Federal Unemployment Tax Act say they do not wish to be burdened with the tax. Others say extending unemployment insurance coverage would cause administrative difficulties, as for example, extending coverage to agricultural labor. Many farmers keep poor records, and pay their labor in kind — meals and lodging. And they say determining when an agricultural laborer is "unemployed" and when he is "available for work" would present other problems.[19] Those who argue against extending coverage to federal government workers say: "Federal workers, during 'normal' times, at least, have comparatively secure jobs, and do not 'need' such protection."[20]

Those who wish coverage extended contend that administrative difficulties can be overcome. They point to the fact that 17 state laws cover employees working for firms having one or more workers, and that smaller firms are required to keep accurate records concerning their employees for other tax purposes. "A system of unemployment insurance, to be adequate, should provide care for all persons normally attached to the labor market who become unemployed through no fault of their own. . . . As our system now stands, a significant proportion of the wage earning population is excluded. . . . Yet they are not less deserving of or less suited for unemployment insurance protection than their favored fellow workers."[21]

BENEFITS

The Social Security Act did not set up standards for *benefits* in unemployment insurance. As a result, state laws vary more widely on this subject than on any other.[22]

All states, however, require that a worker must be eligible during a "benefit year." This is a period of time during which a worker receives his benefits. The beginning and ending dates of the benefit year vary in the different states. A worker must also have been employed during a period of time — known as the "base period" — before his benefit year begins.

Qualifying Wage

In all states a worker must have earned a minimum amount of wages or he must have worked for a certain period of time within his base period — or both. In 29 states the minimum amount of wages he must have earned is found by multiplying the weekly benefit amount by a number stated in the law. In 19 states a worker must have earned a specified amount in his base period — varying from $100 to $600. In Illinois the amount is $300. Michigan and Wisconsin require that a person must have worked for a specific number of weeks *and* have earned at least the minimum wage established. In Ohio a worker must have earned at least $240 in at least 14 weeks of work. Other states have different formulas for determining the "qualifying wage."

Waiting Period

The "waiting period" is the period of unemployment in which a worker receives no benefits even though he is eligible in every other respect. The *initial* waiting period occurs the first time he applies for benefits. If he applies for benefits more than once during the year, and must wait each time, the total number of weeks he has been required to wait is known as the *total* waiting period.

When the unemployment insurance laws were first passed, two reasons were given for including a waiting period:

1. It was believed administratively necessary.

2. It was felt that workers who were unemployed for only a short time should not receive benefits in order to save the money for those workers who were unemployed for a longer time.

Now, however, some administrators of unemployment insurance say that a waiting period is no longer administratively important, and because of the large amount of money in the fund, "saving" it is no longer necessary.[23]

In 1938, the waiting period ranged from three weeks in one year to two weeks in every 13-week period. Only 10 states limited the total waiting period to four weeks or less in a year.[24]

By September, 1949, Maryland and Nevada had done away with the waiting period entirely. In other states they were considerably reduced. In 45 states there is an *initial* waiting period of one week; 4 states have two weeks. *Additional* waiting periods during the year have been eliminated in all states except Texas. That state requires an additional waiting period when more than 35 days have passed since a person last received benefits.

Weekly Benefit Amounts

Under all state laws the amount of benefits which a worker receives for each week of total unemployment varies according to his past wages. There are minimum and maximum amounts, however. In most states the law is designed to provide the worker with about one-half of the average *weekly* wage he earned when he was working full-time. Eight states determine the weekly benefit amount from a percentage of *annual* wages rather than average weekly wage. In Michigan and Wisconsin weekly benefit amounts are based on average weekly wages from each employer.

In 11 states a worker's dependents are considered in figuring his weekly benefit amount. By 1945, four states provided for increased allowances for dependents. By 1949, five states had granted additional benefits to those workers supporting dependents, and during that same year six more states followed. In Connecticut, Maryland, Massachusetts, Michigan, North Dakota, Ohio, and Wyoming only children under 16 or 18 are counted as dependents. In the District of Columbia, Nevada, Alaska, and Arizona — husbands, wives, parents, brothers, sisters, and children are considered dependents if they are unable to work for physical reasons or because of age.

The amount added for each dependent varies from $1 in the District

of Columbia to $3 in Connecticut, and from $2 to $5 in Alaska. There are, however, statutory limits in each of the 11 states for the total benefits allowed for dependents.[25]

In Utah, the weekly benefit amount, within minimum and maximum limits, is tied to the cost-of-living index of the Bureau of Labor Statistics.

Maximum and Minimum Weekly Benefit Amounts

There has been a steady increase in maximum and minimum benefit amounts paid during the last ten years.[26] Twelve years ago the *maximum* benefit in all states except two was $15. Wyoming, with $18, and Michigan, with $16, were the two exceptions. As shown in Table IV, $25 is the most common amount.[27] Today only Florida retains the $15 maximum. In Illinois the maximum is $25.

The *minimum* benefit amounts in the state laws have not risen as sharply as the maximums. In the first unemployment insurance laws a majority of the states had a minimum of $5. Only one state had a minimum as high as $8, and three states had a minimum of $7.50.

By September, 1949, $5 was still the most frequent figure. The lowest minimum of fifty cents, which is found in Missouri, is payable as $3 in advance with the duration reduced proportionately. Oregon has the highest minimum with $15. From the summary in Table V, however, it can be seen that the trend is toward higher minimum benefit amounts.[28]

Table IV
NUMBER OF STATES BY SPECIFIED MAXIMUM BENEFIT AMOUNTS
(September 1, 1949)

Maximum benefit	Without dependents	With maximum number of dependents allowed
15.00	1	0
18.00	1	0
20.00	17	1
22.00	3	0
22.50	1	0
22.75	1	0
24.00	2	0
25.00	23	0
26.00	2	2
30.00		1
31.00		1
32.00		1
33.00		1
36.00		1
37.00		1
40.00		1
not specified		1

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Table V

NUMBER OF STATES ACCORDING TO SPECIFIED MINIMUM BENEFIT AMOUNTS

(September 1, 1949)

Minimum Benefit	Without dependent's allowances	With dependent's allowances
.50	1	1
3.00	1	1
4.00	2	2
5.00	12	10
6.00	11	10
7.00	8	10
8.00	5	2
9.00	2	3
10.00	8	8
11.00	0	2
12.50	0	1
15.00	1	1

Duration of Benefits

The maximum number of weeks for which benefits can be collected in a year is an important part of the unemployment insurance program. The method of arriving at a *maximum duration* of benefits varies among the states. In 15 states the maximum *potential* duration is the same for all claimants who meet the qualifying wage requirements. In the other 36 states, the maximum potential durations vary depending on a worker's previous earnings.

In 1937, most of the states had a maximum of 16 weeks of benefits in a year. There were exceptions, however. Nevada and Idaho paid benefits for 18 weeks and one state — Rhode Island — paid benefits for 20 weeks.[29]

As of September 1949, 43 states paid benefits for 20 weeks or more. The maximum duration in 12 states including Illinois was for 26 weeks. Wisconsin provided a maximum duration of 26 and two-thirds weeks while Arizona lagged behind with a maximum of only 12 weeks.

Table VI shows maximum basic weekly benefits and maximum weeks of benefit for total unemployment.[30] Generally, those states which pay higher benefit amounts also pay for a longer period of time. However, in a number of states, including Illinois, a claimant can get the maximum duration of benefits only if he qualifies for the maximum benefit amount.

In 1937 only Ohio had a uniform *minimum duration period* for all workers and that was for 16 weeks. By December, 1941, thirteen states had a uniform duration. In eight of these states the duration was 16 weeks. Of the thirty-eight states with a *variable* duration, depending on

Table VI

MAXIMUM DURATION AND AMOUNTS OF BENEFITS

(September 1, 1949)

Maximum number of benefit weeks	Total States	Maximum Basic Weekly Benefit								
		$15	$18	$20	$22	$22.50	$22.75	$24	$25	$26
Total states..	51	1	1	17	3	1	1	2	23	2
12	1			1						
16	5	1	1	2	1					
18	2			2						
20	21			10		1	1	1	8	
22	2			1	1					
23	3								3	
24	2			1					1	
25	2								2	
26	12				1			1	9	1
26+	1									1

previous earning, most had a minimum of 7 or 8 weeks, although the range was from under 2 weeks to more than 14 weeks.

By the beginning of 1949, fifteen states had a uniform duration. In nine of these states it was 20 weeks or more; in the thirty-six states with variable duration the minimum ranged from 1.3 weeks in Missouri to 18 weeks in Ohio. The most frequent duration today is 8 weeks.

Benefit Problems

There has been, generally, a steady increase in the amount and duration of potential benefits. Average weekly benefit payments have made similar advances since 1938. Also, the amount of total potential yearly benefits have increased, as of 1949, with 15 states providing maximum yearly benefits of more than $600 and forty-three states providing maximum benefits of $400 or more for a year. But the **benefit amount** remains a problem.

However, advocates of higher benefits under unemployment insurance say that the trend toward liberalization has been too slow and too inadequate. A labor spokesman has pointed out that despite the fact that the average weekly benefit is higher today than it was before the war, rising prices have cut the real value of benefits substantially. While the average weekly benefit amount rose only 3% between 1946 and 1948 (from $18.50 to $19.05), the consumer's price index increased 22%.[31] "Increases in the cost of living have so greatly reduced the purchasing power of bene-

fits that the average weekly benefit of $19.28 in July, 1948, was worth only $11.11 in terms of 1935-39 dollars."[32]

As we have pointed out before, the original unemployment insurance laws were designed to compensate for about ½ of the wage loss suffered during total unemployment. . . .[33] This amount was believed high enough to permit the worker to maintain himself, yet low enough to provide an incentive to seek gainful employment. When the average weekly wage for factory workers was between $26 and $30, as it was in the late 1930's, a maximum of $15 was about ½ of the wages lost through unemployment. With average weekly wages for factory workers now around $55,[34] a maximum of $25 does not quite reach the standard of ½ of average weekly wages for the unemployed worker. In referring to this problem, the Social Security Administration, in its annual report to the Congress, found that benefits "have replaced, on the average, only a third of wages. . . ."[35]

Many employers, however, are opposed to raising the benefits under unemployment insurance. They are fearful that increased benefits will reduce the incentive to work and will encourage workers to remain idle in order to collect the high benefits. This fear has been stated by a state unemployment insurance administrator as follows:

"If we are to plan wisely, we must plan for the good of all — not on the basis of how much can business afford to pay as taxes, or how much can labor demand as benefits, but rather, how much should be paid as unemployment benefits in order to assist workers generally in helping themselves to prosper more fully under our opportunity system. . . .

"Unemployment benefits should never be so large as to make them an attractive substitute for wages, nor should they be so small that they fail to assist the worker materially in paying for the necessities of life when he has lost his job through no fault of his own and while he is seeking employment."[36]

Another problem is the **difference in benefits** paid in the various states, even when earnings are the same. For example, the maximum potential benefits in a year vary from $240 in Arizona and Florida to $962 or more in Massachusetts, where the maximum weekly benefit is practically unlimited when the dependents allowances are considered.[37] In Massachusetts the average weekly benefit paid in 1948 was $22.85. For the third quarter of 1949, the average weekly benefit for the nation was $20.54. During that same period Utah, Michigan, Massachusetts, and Alaska paid an average weekly benefit of more than $23, while Florida paid only $13.76 and Georgia and Mississippi less than $15.[38] For the month of November, 1949, the average weekly benefit paid in Illinois was $19.10; for the nation as a whole it was $21.16.[39]

Although the states were given broad authority to determine their own

benefits in accordance with the particular local conditions, critics of the present system object to the variation in benefit payments which this system permits.[40] They argue that even where differences might be justified on the basis of different conditions, they do not warrant as low an average benefit payment as exists in some of the states.

A third benefit problem is in the **duration of benefits.** The percentage of claimants who used up all their benefits rights declined rapidly from 59.6% in 1939 to 19.2% in 1945, the year the war ended. This decline was due to the high employment level which prevailed during the wartime period; in 1946, the ratio rose to 38.3%, only to decline again in 1947 to 30.7%.[41]

However, there was increasing concern at the end of 1949 over the rapid rise in the number of unemployed workers exhausting their unemployment insurance benefits. The figures published by the Bureau of Labor Statistics show that 500,000 people exhausted their unemployment insurance benefits during the July-September quarter of 1949. This was twice as many people as in the same period in 1948. In Illinois, 71,316 unemployed workers exhausted their benefit rights between April 1 and December 17, 1949.[42]

Arthur Altmeyer, Commissioner of Social Security, reported in September, 1949, that 30% of the workers collecting unemployment insurance exhaust their benefits and that in some states the figures run as high as 50%.[43] The problem is further accentuated if we consider that the increase in the number of exhausted benefits took place in a period of rising employment.

ELIGIBILITY AND DISQUALIFICATION

All states[44] require that, in order to be *eligible* for benefits, an unemployed worker must be "able to work" and he must be "available for work." This requirement is designed to limit the benefits of unemployment insurance to regular members of the labor force.

In Illinois recent amendments to the law have attempted to clarify these eligibility requirements. A worker must now be "actively seeking work during the period for which he seeks benefits." A worker is considered unavailable for work if he moves to and remains in a locality "where opportunities for work are substantially less favorable than those in the locality he has left." A woman is considered to be unable to work and unavailable for work if she voluntarily left her job because of pregnancy. In any event a woman is considered to be unable to work and unavailable for work during the 13 weeks before and the 4 weeks following childbirth. All persons who leave work voluntarily to marry, except those who become the sole support of themselves and their families, are

unavailable for work. Persons leaving employment voluntarily because of family problems are considered unavailable for work.[45] Many other states have similar provisions.

Although otherwise eligible, a worker may be *disqualified* from receiving benefits under certain other conditions. The most important of these conditions, other than fraud and misrepresentation, are:

1. voluntarily leaving the job without good cause
2. discharge for misconduct connected with the work
3. refusal of suitable work
4. unemployment due to a labor dispute

In all the states, disqualification for one or more of the reasons results in a postponement of benefits. In some states the penalty may be cancellation of benefit rights or a reduction in the amount of benefits. The postponement period varies among the states. This idea of a *limited* disqualification period is based on the theory that after a certain length of time the reason for the worker's unemployment is due to general lack of jobs rather than the reason for which he was disqualified.

In other states, if a worker has been disqualified, he loses benefits for the entire period of unemployment. The states do this by canceling all or some of the worker's wage credits. Or, they may require an additional amount of work or wages from the disqualified worker. Under this type of provision, workers who are disqualified are denied benefits for the period of unemployment immediately following the disqualification and lose accumulated wage credits for the future.

Eligibility Trends

Both the legislative definitions of the major causes of disqualification and the penalties vary in the states. A general trend toward more rigid eligibility requirements and more severe penalties is becoming clear.[46] The Advisory Council on Social Security pointed out that, "in 1937, seven states reduced or canceled benefit rights for causes other than fraud or misrepresentation; in 1940, twelve; and in 1948, twenty-two."[47] The other states, including Illinois, postpone benefits for a given length of time in the event of disqualification for causes other than fraud or misrepresentation. In Illinois, the benefits are postponed for the week during which the disqualifying act occurred, plus six additional weeks.

The Advisory Council contends also, that there have been an increasing number of administrative decisions and legislative provisions, "which deny benefits to individuals who are genuinely unemployed through no fault of their own and are ready, willing, and able to accept suitable work." It gave as an example the interpretation of "misconduct."[48] Some states have tended to say if a worker is discharged for inability to do the

work, that is "misconduct" and he is disqualified from benefits. Many people feel, however, that in most cases inability to perform a job satisfactorily is due to inadequate training and poor placement. These causes are not the responsibility of the worker alone, but of management as well. The argument continues that to deny benefits to a worker unable to perform a job is to punish persons involuntarily unemployed and this is contrary to a fundamental principle of unemployment insurance. The criticism voiced by the Advisory Council is therefore twofold. First, it sees no justification for the severe penalties inflicted in the cases of disqualification; second, it condemns the interpretations of "misconduct" which make inability to do the work a basis for disqualifying a worker.[49]

Labor's View

Representatives of organized labor have also criticized provisions in 18 states which deny benefits to workers who voluntarily leave the job for good personal reasons.[50] For example, if a worker has to move from a cold climate to a state with a warm, dry climate because of ill health in his family he would be disqualified from benefits in 18 states.

A glance at some disqualification figures emphasizes the seriousness of this problem. In 1948, one out of ten claimants was disqualified either because he was unable to work or was unavailable for work. Another one out of ten was disqualified on the contention that he left his job voluntarily, refused suitable employment, or had been discharged for misconduct. These figures do not include disqualification resulting from labor disputes.[51]

Employer's View

Employers contend these rigid eligibility requirements must stay in the laws if the principles of unemployment insurance are to be maintained. The Social Security Committee of the Illinois State Chamber of Commerce has endorsed measures which would have further tightened the eligibility requirements and increased the penalties of disqualification in that state.[52] Another employer viewpoint: "Employers look upon unemployment compensation as an *insurance* program, not as a welfare dole. Under the insurance concept the beneficiary entitled to benefits is that individual who has been laid off because the employer is no longer able to provide work for him, but who remains in the labor market, is actively seeking work, but cannot find suitable employment."[53]

Employers give many examples of abuses of the system which allegedly require correction by more rigid interpretation of the disqualification provisions and severer penalties for the disqualified. The Illinois State Chamber of Commerce Social Security Department cites the following report. "One of our secretaries was dismissed by our office because our

volume of work did not warrant keeping her. We helped her to get relocated in similar work, but she quit after three months and collected her unemployment compensation from our account for the full length of time. The very week her unemployment compensation ran out, she started working again. Here again, the girl was married and apparently found it to be quite a satisfactory arrangement to stay home and keep house and collect a salary."[54] Other abuses are alleged to exist where farmers work in factories during the winter and then collect benefits after they quit to return to the farm in time for spring plowing.

Another example which has been given to demonstrate the need for more rigid and efficient application of the eligibility rules involves the extent to which fraud exists. "An automobile plant in Detroit . . . has recently been auditing the benefit charges made against its account. They found that 1,327 of their employees had received benefit checks covering up to 13 weeks during which they had been fully employed by this same company."[55]

These examples indicate the types of criticism which various groups have raised against present practices.

In answer to these charges of abuses, however, unemployment insurance administrators say the examples are misleading because: (1) if the incidents actually occurred, they may involve laxity in administration rather than defects in the laws themselves, or (2) the examples, as given, may leave out additional facts which might justify the payment of benefits, or (3) they are simply "impossible" under existing provisions of state unemployment compensation laws.[56]

NON-OCCUPATIONAL DISABILITY INSURANCE

We noted above that, in all states, a worker must be *able to work,* as well as available for work, before he can receive unemployment insurance benefits.

Our nation-wide social security program now in effect provides some protection against the risks of unemployment, old age, and death. All states also provide — through workmen's compensation laws — protection against the risks of medical expenses and loss of income resulting from injury on the job, or illness caused by the work itself.

Yet there is no nation-wide protection for a worker who is unable to work because of ordinary injury or illness *not resulting from the job.* Such non-occupational disability is a serious problem for workers because it often means medical expenses in addition to loss of income.[57]

Existing Laws

Five states have attempted to fill this gap.[58] Rhode Island was the first (in 1942) to enact legislation which set up a system of benefit payments

for non-occupational illness or injury. Then, in 1946 Congress amended the Social Security Act to provide that, if a state collected funds from employees, those funds might be used to pay disability benefits. Since then, three other states have adopted disability insurance laws: California in 1946, New Jersey in 1948, and New York in 1949. Washington enacted a similar law in 1949 which, if approved in a state-wide referendum in November, 1950, will go into effect the following month.

In all of these states except New York, disability benefits are administered by and coordinated with the unemployment insurance system. In New York a separate system of non-occupational disability insurance is administered by the state Workmen's Compensation Board. The New York law requires a contribution by both employers and employees. The amount of benefits vary from $10 to $26 for 13 weeks.

Laws in the other four states follow closely the unemployment insurance laws as to earnings, base periods, benefit years, and administrative arrangements.

In Rhode Island, Washington, and California employees pay a 1% tax on wages into the fund. In New Jersey the system is financed also by a 1% tax on wages, but with a .75% contribution from the employees and a .25% contribution from the employers.

New Jersey, California, New York, and Washington also permit an employer to provide disability insurance coverage through a private insurance plan. Rhode Island is the only one of these states which does not provide for the substitution of a private voluntary plan for the state system.

Views on Disability Insurance

There is a great deal of controversy as to the place of temporary disability insurance in the broad social security picture.[59] In 1945, the comprehensive Murray-Wagner-Dingell social security bill proposed a broad federal program of social insurance including a system of temporary and permanent disability protection. Although this legislation was not passed, the disability clauses were re-introduced in the 81st Congress, and passed by the House of Representatives. This bill provides for the integration of a permanent and total disability insurance in the broad system of old age and survivor's insurance. It does not attempt to cover temporary disability.[60] As this is written, however, no action has been taken on the bill by the Senate.

Proposals have also been advanced for a national program to combine temporary disability insurance with unemployment insurance as in the four states mentioned above. An argument in favor of this method is that it permits the use of the same administrative machinery for both programs.

There is also sharp disagreement as to the type of state system that should be adopted. Some advocate an exclusively state-operated system of insurance, as in Rhode Island; others would permit a state-operated system with provisions for substituting approved private plans. Those who advocate an exclusively state-operated plan list its advantages as follows:[61]

1. It represents a sound social insurance approach since it is the widest possible pooling of risk.

2. The same records and reports can be used for both unemployment and disability insurance, thereby reducing additional expense.

3. A greater proportion of funds are available for benefits since the cost of private insurance advertising and salesmen's commissions are eliminated.

Those who prefer a state program combined with private plans give these reasons:[62]

1. It would provide universal and continuous coverage while permitting adjustment to individual situations, so that workers can obtain benefits above the statutory level.

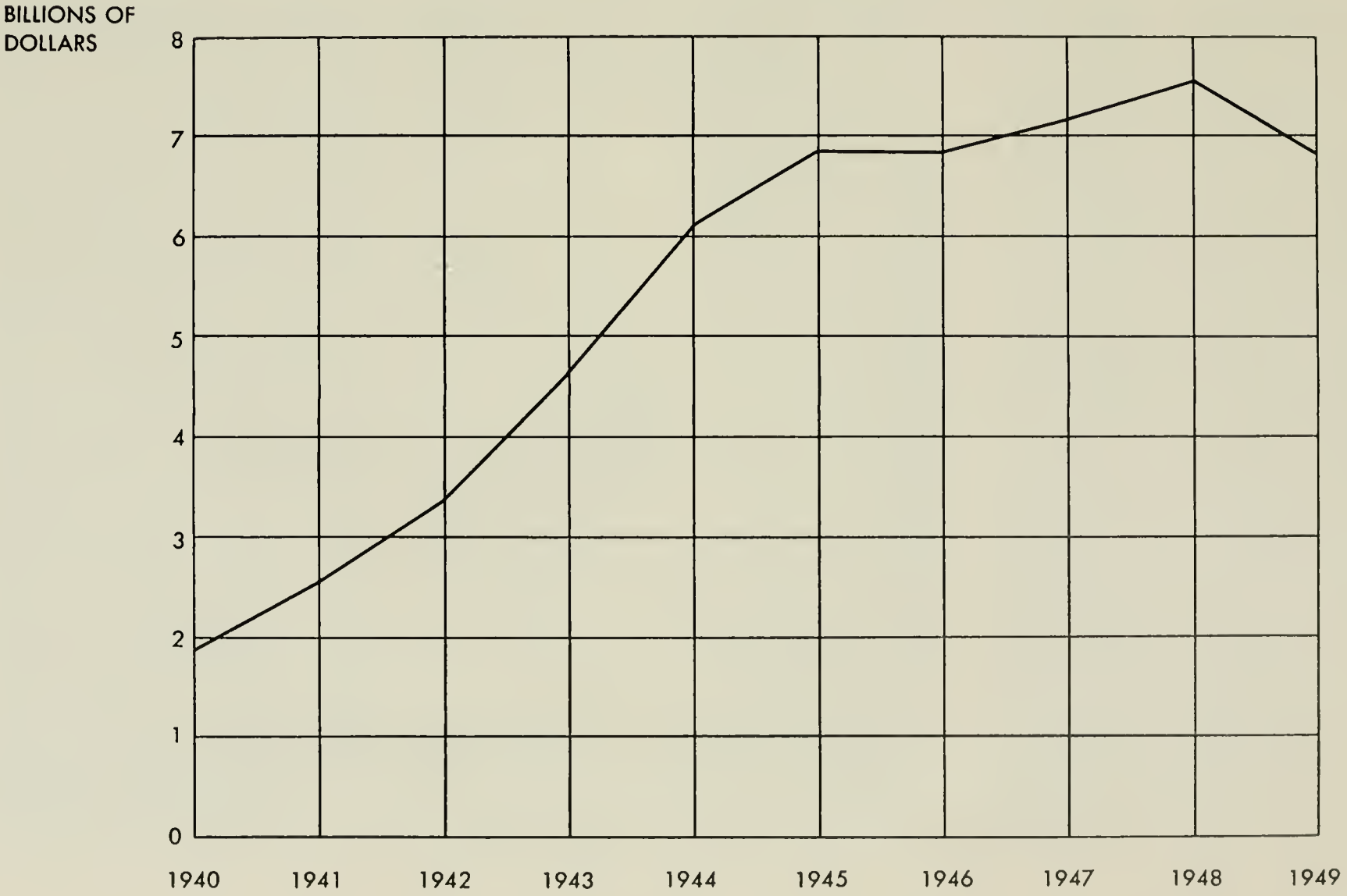
2. The competition between the state and private plans would stimulate greater economy and efficiency in the administration of both plans.

There is disagreement also as to the role of the states and the federal government in disability insurance.[63] Several alternatives short of complete federalization have been suggested. The federal government could pay the administrative expenses as it now pays such expenses for unemployment insurance. It can levy a payroll tax similar to that levied under the Federal Unemployment Tax Act, and permit employers in those states which enact disability insurance laws to credit contributions paid under such legislation against the federal payroll tax.

Some say that temporary disability insurance should be under the complete control of the federal government. They say that a federal system can provide workers with uniform protection against loss of wages due to disability regardless of residence or employment. They also argue that a program of *temporary* disability insurance can be coordinated with a federal system of *permanent* disability insurance, thereby avoiding duplication and overlapping of records, rehabilitation services, staffs, and procedures. Permanent disability insurance as well as the temporary disability insurance, it is maintained, must be integrated in the broader federal social security scheme.[64]

TABLE VII

STATUS OF THE UNEMPLOYMENT TRUST FUND[66]



FINANCING UNEMPLOYMENT INSURANCE

One of the objectives of the original unemployment insurance act was to encourage stable employment.[65] In the original act, Congress provided a money incentive for employers to keep their workers on the job. The act allowed the states to set up "experience-rating" schemes so that an employer paid less taxes into the fund if fewer people who had been employed by him applied for unemployment insurance benefits.

The unemployment insurance program began during an upswing in the business cycle. Payrolls increased in size with more people working. Increasingly, fewer people were unemployed. And, during the first two years of the program funds accumulated while no benefits were paid out.

The war and full employment were also important factors. In addition, the Veterans Readjustment Allowances saved much money for the fund. Many veterans chose GI benefits rather than civilian benefits, probably because of the no-waiting period. However, by the end of 1949, the fund showed a decline. (See Table VII on the preceding page.)[66]

This changing trend in the last few years is caused by three major factors: (1) larger benefits paid for longer periods of time, (2) more people receiving benefits, and (3) smaller contributions paid by employers.

Table VIII[67]
BENEFITS PAID, 1948-49

Fiscal Year Ending June 30,	Average Number of People Receiving Benefits in One Week	Average Weekly Benefit	Total Amount of Benefits Paid
1948	814,000	$18.99	$ 756,000,000
1949	1,187,000	$20.06	$1,184,000,000

The amount of benefits paid out have increased considerably in the last two years (see Table VIII). During the same two-year period, employer contributions to the fund have decreased. Under the original experience-rating formulas, the tax rate for employers should have increased as a result of the greater number of people claiming benefits. But many state legislatures have enacted amendments to their laws which resulted in a lower tax rate. For example, Virginia lowered its minimum rate from 1.0% to .3%; Kentucky reduced its minimum to 0.9%; New York, with a 2.2% average rate in 1947 — the highest for any state with experience rating — lowered the rate to 1.3% in 1948; Wisconsin dropped from 1.0% to .5%; Connecticut from 1.9% to 0.3%. In those states

which made no legislative changes, eleven had increases in rates, five had lower rates, and nine had no appreciable change.[68]

In 1948, the average employer contribution rate was 1.0%. The minimum possible under the Illinois law is .5%.[69]

Table IX demonstrates the trend towards reduced contribution rates in the states.

Arguments Against Experience Rating

Critics of experience-rating contend that it lowers the contribution rate during periods of high employment when employers are best prepared to pay the tax, and raises the tax during periods of unemployment

Table IX
AVERAGE EMPLOYER CONTRIBUTION RATES[70]
UNDER EXPERIENCE-RATING

Year	1941	1942	1946	1947	1948
Number of experience-rating states — Total	17	34	45	50	51
With average employer contribution rate of:					
Less than 1.0	0	1	11	9	12
1.0-1.49	2	1	19	19	20
1.5-1.99	4	18	17	17	17
2.0-2.49	8	12	3	5	2
2.5 or more	3	2	0	0	0

and recession when employers can least afford it. The fact that some states have by statute limited the increases in the tax rate that may take place over a given period of time does not solve the problem. In periods of rising payrolls, contribution rates and expected revenues fall, and in periods of falling payrolls, rates and revenues have to be increased. As experience-rating functions now, the ability of some state reserve funds to meet future benefit payments is endangered.[71]

Opponents of experience-rating further contend that it does not do what it is supposed to do. Employers had little to do with the accumulation of the large reserves and the rise in employment during the war. Experience-rating does not measure the individual employer's efforts to reduce unemployment since the employer has little control over the factors which determine employment. Yet, under the experience-rating systems in most states, employer contribution rates decline automatically when total benefit payments fall and payrolls rise as a result of a general increase in employment rather than from the efforts of individual employers.[72]

Critics also say the inadequacies of coverage and the rigid eligibility requirements are caused by experience-rating. Under most of the plans now in operation the employer contribution rate is tied in some way to the benefits paid to former employers. The employer contribution rate will be lower if the benefit amounts paid are small, if they are paid for a short time, and if there are fewer persons receiving benefits. It is, therefore, in the financial interest of the employer, these critics maintain, to challenge and fight most efforts to liberalize the provisions of the unemployment insurance laws.[73]

Another argument is that experience-rating is an incentive for employers to fire a worker before he can qualify for unemployment insurance benefits — that experience-rating tends to *stabilize unemployment* instead of *employment*.[74] In this connection, it may be noted that five states, Alaska, Mississippi, Rhode Island, Utah, and Washington, have devised schemes that eliminate the direct relationship between benefits paid and the employer contribution rate. The experience rating plans in these states base the rates on percentage declines in the total payroll over a period of time.[75]

Arguments For Experience Rating

Defenders of experience-rating point to the reserve accumulated under the existing method of finance. In response to charges that experience-rating is an obstacle to the liberalization of the unemployment insurance system, experience-rating advocates point to the increases in benefits and duration that have taken place under experience-rating. They assert that experience-rating is the primary means by which employers' interest in unemployment insurance is maintained. Without the employer participation, they fear that the system would become a politically expedient handout of money. They point out that employers have an important function in guarding against inefficiency and other abuses of the system.

For the employer, experience-rating also affords the opportunity and incentive for individual action to stabilize employment — one of the objectives of unemployment insurance.[76]

An official of a large automotive manufacturing company reported that the total number of man-days lost because of model changes between 1941 and 1948 had been reduced by more than 80%. He further stated that "the incentive of experience rating was one of the strong motivating influences spurring everyone on toward the attainment of that objective through better planning, better scheduling, and the application of a world of ingenuity in meeting problems as they arose."[77]

SHOULD THE FEDERAL-STATE SYSTEM BE CHANGED?

An important problem is whether or not the existing federal-state system is the best method of dealing with unemployment insurance.

Supporters of the present system point to the advances made by the states under it, particularly in coverage and benefits.[78] The federal government, they say, has not done much in improving unemployment insurance. They point out that the federal government has not even extended coverage to federal employees; it is, therefore, inadvisable to depend upon the federal government to liberalize the system. In addition, there is general hostility to the further growth of what many consider to be a cumbersome federal bureaucracy. The present system, which gives the states wide discretion, should therefore be retained since it keeps federal intervention in unemployment insurance to a minimum.

There are other arguments presented to support these views: The present system, allowing wide variation, permits the states to experiment with their provisions. By comparing experiences the states can find the most efficient and desirable methods. The broad character of the federal standards also permits each state to adjust its unemployment insurance laws to meet the particular conditions in the states. Differences in geography, industry, incomes, wage levels, and population can be considered.

The advocates of the present federal-state system do not consider the problems we have discussed earlier as seriously impeding the proper functioning of unemployment insurance. They claim that unemployment insurance was designed to alleviate insecurity arising from short-term unemployment.

Some groups are now recommending that unemployment insurance be made into a more effective bulwark against depression. Those who want to keep the present federal-state system maintain that unemployment insurance cannot assume the dual role of a social aid and an economic weapon, and continue as social insurance. They contend that the problems of benefits and coverage are being met by the states.

The rigid eligibility requirements are defended on the grounds that they limit the program to the area of "insurable risk." The question of determining the punishment for disqualification should be left to the administrators of the unemployment insurance program in the states, it is claimed. In the area of financing the advocates of the federal-state system also defend the experience-rating method on the basis of the reasons discussed earlier.

Complete State Control

Arguments for giving the states complete control over the unemployment insurance program are similar to those advanced for keeping

the present federal-state system.[79] This view is held by those who are more strongly opposed to federal interference in state activities. They say they want to keep the program "at home" and "close to the people." They would like to see the federal government withdraw from this area because they say it is only a handicap to the administration of the system. In addition, they fear that unemployment insurance will be absorbed in a broader scheme of defense against depression, and the insurance principle of the program will be abandoned.

Much freer state control of unemployment insurance would be administratively possible if Congress were to provide a 100% offset of the federal unemployment tax.[80] Under the present arrangement 10% of the 3% tax goes to the federal government. It, in turn, provides the funds necessary for the administration of unemployment insurance; but the state agency administering the program must maintain a merit system for personnel and adhere to certain budgetary practices. An argument advanced by the advocates of the 100% tax offset is that the federal government does not allocate all of the funds collected from the 0.3% tax to the states. The states could utilize these funds not only in improving the administration but in increasing the benefits and in lowering the employer contribution rate.

Federal Control of Unemployment Insurance

The supporters of complete federalization maintain that the present federal-state system does not recognize the realities of our economy.[81] Employment, prices, profits, and taxes are determined by national forces rather than by local factors. The integration of our economy requires that there be an integrated approach to the problems which arise from unemployment insurance.

This group bases its demand for a federal system on the inability of the federal-state system to cope with the problems which we have earlier described. They argue that only a federal system can achieve social equities and efficient administration.

A federal system would provide equal treatment for all workers regardless of the state in which they work. It would mean using the same formulas and standards for determining the benefits, duration, and eligibility throughout the nation. The national system would also eliminate the serious problem of the inter-state workers who earn wages in more than one state and, by spreading their employment over more than one state, fail to accumulate benefit rights in any state. It would do away with direct employer pressures on the states. It would provide for a simpler and more economical administration and for a broader actuarial base. The 52 different methods of reporting data would be replaced by

a single simple form or use of the old age and survivors insurance files. The national system could also be more effectively coordinated with the broader national policy in combating any future serious unemployment. It would also make possible the integration of the various phases of social insurance.

The more specific proposals made by some labor advocates of this view include higher benefit payments for the unemployed, provision for dependents' allowances, an increase in the duration of benefits to a minimum of 26 weeks, easing of the rigid eligibility requirements, and the substitution of flat rate contribution for experience-rating. Experience-rating, they assert, has been an obstacle to increasing the unemployment insurance benefits in the states. This not only makes for conflict between labor and employers but also encourages competition between the states for the lowest contribution rate.[82] They also propose the extension of the social insurance principle to include temporary and permanent disability.

The Social Security Administration has also supported a national system of unemployment insurance. In its review of social security activity for 1948, the Administration made the following observation: "In the light of ten years experience . . . the administration remains convinced that it would be simpler, cheaper, and safer to cope with wage loss from unemployment through a uniform nation-wide unemployment insurance system."[83]

MODIFICATION OF PRESENT FEDERAL-STATE SYSTEM

There are those who believe that the federal-state system is basically sound but that it requires some modification. There are two views as to the direction of the change required. One is shift from the present tax offset system to a grant-in-aid system; the other involves keeping the offset feature but adding more rigid federal standards.

The advocates of a grant-in-aid method assert that it would keep the most desirable features of the existing system while eliminating the objectionable ones.[84] Specifically, the proposal would eliminate the offset features of the present system and substitute a federal unemployment tax. The federal government would provide a 50% grant-in-aid from the proceeds of this tax and this would be applicable towards the cost of state administration and the cost of state benefit payments. The state would provide the remaining 50% of the cost. It could then raise the money in any way desired. The employer payroll tax with the experience-rating factor could be retained or replaced by general revenues.

The advantage of this system would be that it would provide an incentive for efficiency in administration and care in dispersing funds

since the state would bear half the cost. An incentive to provide adequate benefits would exist since the federal government would provide half the cost, and the employer would not be required to contribute any more than the prescribed percentage.

Another advantage of the grant-in-aid system would be the simplicity in financing as compared to the complex tax offset plan. The employer would make out only one federal tax return for both unemployment insurance and old age and survivors insurance. It would also permit the states to continue experimentation in adjusting their unemployment insurance programs to meet the needs of their particular areas.

New Federal Standards

In its report on unemployment insurance to the Senate Committee on Finance, the Advisory Council reported general approval of the present federal-state system. However, it found five major deficiencies:

1. The inadequate coverage (discussed earlier)

2. Benefit financing, which fosters competition between states in the establishment of low employer contribution rates, and discourages the adoption of more liberal benefit provisions

3. The irrational relationship between the contribution rate and the business cycle (also discussed earlier)

4. The administrative deficiencies in financing administrative cost and in meeting the problem of interstate workers

5. The lack of employee and citizen participation which limits their influence in formulating legislative policy for unemployment insurance

The Council recommended establishing additional federal standards for the states to follow in order that employers in the state may qualify for the 90% tax offset:

1. Coverage: Take out the size-of-firm limitation. Do away with the specific exemptions, particularly employees of non-profit organizations and domestic workers in college clubs, fraternities, and sororities. Include federal-civilian employees and members of the armed forces in the program. And extend the program to protect border-line agricultural workers such as those engaged in processing and packaging agricultural products.

2. Finance: Adopt the contributory principle, which would require that employees as well as employers be subject to the federal unemployment tax. They suggested that the tax be set at 0.75% of earnings up to $4200 for employers and employees alike. This would stimulate worker participation in the development of state legislation in the area of unemployment insurance, the Council said. This worker participation, it is

suggested, will offset the dominant position held by employers in guiding unemployment insurance legislation and administration in the states.

To correct the objectionable features of the experience-rating method the Council advised three standards which should be required of every experience-rating state: (a) a minimum contribution rate of 0.6%, (b) an employee contribution rate no higher than the lowest rate payable by an employer in the state, and (c) a rate for newly-covered and newly-formed firms equal to the average rate for all employers in the state. These standards would reduce competition between states for establishing low contribution rates and would also reduce the employer incentive to oppose the liberalization of benefits.

3. To change the sometimes harsh disqualification provisions in the states and to provide equal protection for all claimants regardless of where they live, the Council recommended adoption of a federal disqualification standard. This would prohibit the states from: (a) reducing or canceling benefit rights as a result of disqualification except for fraud or misrepresentation, (b) disqualifying those who are discharged because of inability to do the work, and (c) postponing benefits for more than six weeks as the result of a disqualification except for fraud or misrepresentation.

Other Council recommendations deal with establishment of standard procedures for handling inter-state claims, including tips in the definition of wages, the organization of a loan fund for states with low reserves, and the financing of administrative costs.

President Truman, in a message to Congress, April 17, 1950,[85] called upon the legislature to broaden the coverage and increase the benefits of the unemployment insurance system. In making this request the President cited the increase in unemployment from 2.5 million in the first three months of 1948 to 4.5 million in the same months of 1950 and the inadequacy of benefits resulting from the lag between benefits and increased wages and cost of living. The President stated that "unemployment benefits today replace a smaller proportion of a worker's wages than was the case when the system was started."

The President called for extension of coverage to 6 million workers, including employees of small firms, employees of the federal government, and workers in "occupations of an industrial nature connected with agriculture." He further proposed that a national minimum for benefits be established to provide a single person with approximately 50% of average earnings up to a maximum of at least $30 per week and additional benefits for persons with dependents up to $42 or 70% of wages, whichever is smaller. The duration of benefits, the President stated, should be for at least 26 weeks for the nation.

In the area of financing the President proposed that employers pay the tax rate on the first $4800 of each employee's wages rather than only the first $3000, as is presently the case. He also urged that the receipts from the federal unemployment tax go into a special fund to pay for federal and state administration costs. This fund would also be used to pay the cost of reinsurance grants to states who have used up nearly all of their unemployment insurance funds.

Further proposals made by the President dealt with new standards to eliminate fraud and misrepresentation in the payment of benefits. He also recommended, however, that "over-severe disqualifications which penalize the innocent along with the guilty, should be corrected."

Unfavorable reaction to similar proposals made earlier by the Bureau of Employment Security of the U. S. Department of Labor were voiced by some employers and unemployment insurance administrators. The president of the Illinois State Chamber of Commerce referred to them as an effort "to federalize unemployment compensation, boost benefits and tax rates beyond reasonable limits, and effectively end state control of jobless pay." He further asserted that if the proposals were approved by Congress, "the total effect will be to knock out most of the provisions which are designed to make unemployment compensation a form of emergency insurance for those out of work through no fault of their own."[86]

SUMMARY AND CONCLUSIONS

This bulletin has briefly reviewed the current issues in unemployment insurance. It has also presented some of the significant trends and problems which have grown out of the functioning of the unemployment insurance system.

Since 1937, the coverage has been broadened; yet 14 million persons have no protection from the hazard of unemployment. Benefit amounts and duration have been liberalized, but there is no agreement as to what constitutes the "proper" level of benefits. The eligibility requirements for benefits have been made more rigid with some groups approving the trend and others opposing it. Employer contribution rates have been reduced through the mechanism of experience-rating, but this method has become the center of great controversy. The federal-state system has functioned since 1937, yet the ability of the federal-state system to meet the needs of an adequate unemployment insurance program remains as one of the basic issues in unemployment insurance.

There are sharply conflicting views on the numerous major and minor problems reviewed. Despite these differences of opinion, however, the *principle* of "unemployment compensation has truly become an accepted part of the American way of life. . . ."[87]

NOTES

1. *Public no. 271, 74th Congress (H. R. 7260), Approved Aug. 15, 1935; 42 U.S.C., c. 7 (Supp.)*

2. A 1946 amendment to the Federal Unemployment Tax Act provides for the extension of coverage to employers of maritime workers.

3. Glenn W. Miller, *American Labor and the Government,* Prentice-Hall, 1948, p. 374.

4. *Standard Dredging Corporation v. Michael J. Murphy; International Elevating Company v. Michael J. Murphy,* 319 U. S. 306 (1943).

5. *Comparison of State Unemployment Insurance Laws as of September, 1949* (U. S. Department of Labor, Bureau of Employment Security, Unemployment Insurance Service, Legislation and Reference Division. [Washington, D. C., 1949]), pp. 11-12.

6. *Explanation of Employers' Duties Under the Illinois Unemployment Compensation Act* (Illinois Department of Labor, Division of Unemployment Compensation [Springfield, Ill., August, 1949]), p. 10.

7. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* pp. 10-11.

8. Section 2.1 of the Illinois *Unemployment Compensation Act* entitled, "Coordination with Federal Unemployment Tax Act." Ill. Rev. Stat. ch. 48, par. 217-250.

9. *Issues in Social Security,* (A Report to the Committee on Ways and Means of the House of Representatives by the Social Security Technical Staff pursuant to H. Res. 204, 79th Cong., 1st Sess. [Washington, D. C., 1946]), pp. 495-497.

10. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* p. 3.

11. Members of the Advisory Council are: Edward R. Stettinius, Jr., rector, University of Virginia, chairman; Sumner H. Slichter, Lamont University Professor, Harvard University, associate chairman; Frank Bane, executive director, Council of State Governments; J. Douglass Brown, dean of the faculty, Princeton University; Malcolm Bryan, vice-chairman of the board, Trust Company of Georgia; Nelson H. Cruikshank, director of social insurance activities, American Federation of Labor; Mary H. Donlon, chairman, N. Y. State Workman's Compensation Board; Adrien J. Falk, president, S. & W. Fine Foods, Inc.; Marion B. Folsom, treasurer, Eastman Kodak Co.; M. Alvert Linton, president, Provident Mutual Life Insurance Co.; John Miller, assistant director, National Planning Association; William I. Myers, dean, N. Y. State College of Agriculture: Emil Rieve, president, Textile Workers Union of America, CIO; Florence R. Sabin, scientist; S. Abbot Smith, president, Thomas Strahan Co.; Delos Walker, vice-president, R. H. Macy & Co.; and Ernest C. Young, dean of the Graduate School, Purdue University. *Unemployment Insurance,* A Report of the Advisory Council on Social Security to the Senate Committee on Finance. S. Doc. 206, 80th Cong. 2nd Sess. (1948), p. viii.

12. *Ibid.,* p. 7.

13. Based on figures from "Social Security in Review" *Social Security Bulletin,* Vol. 12, No. 10, (October, 1949), p. 2; *Issues in Social Security, op. cit.,* p. 609.

14. These percentages are approximations based on the data presented in the bar chart.

15. *Unemployment Insurance, op. cit.,* p. 6.

16. *Ibid.,* p. 8.

17. See, for example, John Edelman, "The New Proposals for Unemployment Compensation," *American Economic Security,* Vol. VI, No. 3, (April-May, 1949), p. 12.

18. *Unemployment Insurance, op. cit.,* p. 9.

19. *Issues in Social Security, op. cit.,* pp. 422-423.

20. *Ibid.,* p. 416.

21. Herman Gray, *Should State Unemployment Insurance Be Federalized?* American Enterprise Association, (National Economic Problems. No. 419), New York, 1946, p. 14.

22. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* p. 36. All data on state unemployment insurance laws as of Sept. 1949 are from this source except when otherwise noted.

23. From correspondence with unemployment insurance administrators.

24. *Issues in Social Security, op. cit.,* p. 566.

25. "Dependents' Allowances in Unemployment Insurance," *Social Security Bulletin,* Vol. 12, No. 10, (October, 1949), p. 24.

26. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* p. 50.

27. *Ibid.,* p. 51.

28. *Ibid.*

29. *Issues in Social Security, op. cit.,* pp. 495-497.

30. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* p. 61.

31. John Edelman, *op. cit.,* p. 12.

32. *Unemployment Insurance, op. cit.,* p. 59.

33. *Issues in Social Security, op. cit.,* p. 388.

34. Average weekly wage for December, 1949 was $56.40. *Monthly Labor Review,* Vol. 70, No. 3, (March, 1950), p. 340.

35. "A Program for the Nation: Recommendation from the Annual Report." *Social Security Bulletin.* Vol. 13, No. 1-2, (January-February, 1950), p. 7. This article is a summary of the Social Security Administration report which is a portion of the *Annual Report of the Federal Security Agency, 1949.*

36. Bernard E. Teets, "Building Upon What We Have." *American Economic Security.* Vol. 6, No. 3, (April-May, 1949), pp. 19-20.

37. *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* p. 62.

38. Federal Security Agency, Social Security Administration, Bureau of Employment Security, *Employment Security Activities.* Vol. 5, No. 12, (December, 1949), p. 31.

39. "Unemployment Insurance: Selected Data on Claims, Benefits, and insured Unemployment, by State, November, 1949," *Social Security Bulletin,* Vol. 13, No. 1-2, (January-February, 1950), p. 28, Table 7.

40. *Unemployment Insurance, op. cit.,* p. 74.

41. *Ibid.,* p. 96.

42. Robert M. Lewin, "New Relief Problem: Jobless Who Have Exhausted Benefits." *Chicago Daily News,* Jan. 6, 1950, p. 6.

43. "The Employment Security Program in a Changing Economic Situation" *Social Security Bulletin,* Vol. 12, No. 10, (October, 1949) p. 23.

44. For further discussion on eligibility and disqualification provision in the states see: *Comparison of State Unemployment Insurance Laws as of September, 1949, op. cit.,* pp. 64-89.

45. S. C. Bernstein, "Amendments Relating to Unemployment Compensation." *Illinois Labor Bulletin.* Vol. 10, No. 7-8, (January-February, 1950), pp. 12-13.

46. *Unemployment Insurance, op. cit.,* p. 40.

47. *Ibid.,* p. 15.

48. *Ibid.,* pp. 40-41.

49. *Ibid.,* p. 15 and pp. 40-41.

50. John Edelman, *op. cit.,* p. 15.

51. Federal Security Agency, Social Security Administration Bureau of Employment Security, "Unemployment Insurance in 1948," *Employment Security Activities,* Vol. 5, (No. 2, February, 1949), p. 22.

52. Illinois State Chamber of Commerce, *Proposals in House Bills 611-612 in the Legislature Concerning U. C. in Illinois.* (Chicago, 1949).

53. George A. Jacoby, "The Significance of Employer Interest: A Good Administration" *American Economic Security,* Vol. VI, No. 3, (April-May, 1949), p. 37.

54. Illinois State Chamber of Commerce, *op. cit.*

55. George A. Jacoby, *op. cit.,* p. 41.

56. Correspondence with unemployment insurance administrators. Arthur J. Altmeyer, "Old Age, Survivors, and Disability Insurance," *Social Security Bulletin,* Vol. 12, No. 4, (April, 1949), p. 14.

57. *Ibid.,* p. 11.

58. For disability insurance provisions in the states see: *Unemployment Insurance, op. cit.,* pp. 45-52, *Comparison of State Unemployment Insurance Laws as of September 1949, op. cit.,* pp. 103-113.

59. The different views were taken from *Unemployment Insurance,* pp. 45-52, and "Issues in Temporary Disability Insurance." *Social Security Bulletin,* Vol. 12, No. 6, (June, 1949), pp. 3-8.

60. H. R. 6000. 81st Cong., 1st Sess. (1949)

61. "Issues in Temporary Disability Insurance." *Social Security Bulletin,* Vol. 12, No. 6, (June, 1949) p. 6.

62. *Ibid.,* pp. 6-7.

63. For a more detailed presentation of the varying views of this question see *Unemployment Insurance, op. cit.,* pp. 49-51.

64. Arthur J. Altmeyer, *op. cit.,* p. 14.

65. *Issues in Social Security, op. cit.,* p. 369.

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